

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF PEOPLE'S)	CASE NO. 2004-00041
GAS, INC.)	

O R D E R

On April 30, 2001, in Case No. 2001-00027, the Commission approved the transfer of the Phelps portion of the Mike Little Gas Co., Inc. ("Mike Little") system to People's Gas, Inc. ("People's") and provided for the adjustment of rates on a quarterly basis in accordance with Mike Little's gas cost adjustment ("GCA") clause, which People's adopted and ratified as ordered in paragraph 3 of the Commission's Order approving the transfer.

On February 9, 2004, People's filed its GCA to be effective March 1, 2004. The filing was incomplete, including only People's and Columbia Gas of Kentucky, Inc.'s tariff pages. In addition, KRS 278.180 requires that a utility provide the Commission with 30 days' notice. The Commission can, however, place a rate into effect with less than 30 days' notice under two conditions. First, the notice period can be reduced to 20 days if the utility requests a waiver of the notice requirement and provides good cause. Second, the notice period can be shortened to a lesser time if there is a reduction in rates. People's proposed rate is an increase and its application included no request for a waiver; therefore, the earliest effective date would be March 10, 2004.

The Commission finds that, pursuant to KRS 278.190, further proceedings are necessary in order to determine the reasonableness of the proposed increase in gas

supply cost and that such proceedings cannot be completed prior to the March 10, 2004 effective date.

People's, pursuant to 807 KAR 5:001, is to file with the Commission the original and 4 copies of the information requested in Appendix A, with a copy to all parties of record. The information requested herein is due not later than 10 days from the date of this Order. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Generic GCA forms are attached as Appendix B for People's convenience.

IT IS THEREFORE ORDERED that:

1. The proposed rates are hereby suspended for five months from March 10, 2004 up to and including August 9, 2004.
2. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period.
3. People's shall file with the Commission the original and 4 copies of the information requested in Appendix A, with a copy to all parties of record.

Done at Frankfort, Kentucky, this 23rd day of February, 2004.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00041 DATED February 23, 2004

Refer to Appendix C, People's Purchased Gas Cost Adjustment Clause.

1. Provide a list of the natural gas suppliers from whom People's expects to purchase over the next three months.
2. Provide the price per Mcf that People's expects to pay for natural gas it will purchase for the period April through June 2004.
3. Provide the volume of natural gas purchased, in Mcf, for the 12 months ended December 31, 2003.
4. Provide the sales volume, in Mcf, for the 12 months ended December 31, 2003.
5. Provide the amount of line loss for the 12 months ended December 31, 2003.
6. Provide the dollar amount of any supplier refunds that People's has received since People's filed its last GCA.
7. Provide the following information for May, June and July 2003, reporting each month separately:
 - a. The volume purchased
 - b. The cost of the purchases
 - c. The volume sold

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2004-00041 DATED February, 23, 2004

GAS COST ADJUSTMENT FORM

COMPANY NAME

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed:

Date Rates to be Effective:

Reporting Period is Calendar Quarter Ended:

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	
+ Refund Adjustment (RA)	\$/Mcf	
+ Actual Adjustment (AA)	\$/Mcf	
+ Balance Adjustment (BA)	\$/Mcf	
= Gas Cost Recovery Rate (GCR)	\$/Mcf	

GCR to be effective for service rendered from _____ to _____

A.	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	
	+ Sales for the 12 months ended _____	Mcf	
	= Expected Gas Cost (EGC)	\$/Mcf	
B.	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	
	+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	
	+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
	+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
	= Refund Adjustment (RA)	\$/Mcf	
C.	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	
	+ Previous Quarter Reported Actual Adjustment	\$/Mcf	
	+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	
	+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	
	= Actual Adjustment (AA)	\$/Mcf	
D.	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	
	+ Previous Quarter Reported Balance Adjustment	\$/Mcf	
	+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
	+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
	= Balance Adjustment (BA)	\$/Mcf	

EXPECTED GAS COST

Actual* Mcf Purchases for 12 months ended

(1)	(2)	(3)	(4)	(5)**	(6)
Supplier	Dth	Btu Conversion Factor	Mcf	Rate	(4)x(5) Cost

Totals

Line loss for 12 months ended _____ is _____% based on purchases of _____ Mcf and sales of _____ Mcf.

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	
<u>÷ Mcf Purchases (4)</u>	Mcf	
= Average Expected Cost Per Mcf Purchased	\$/Mcf	
<u>x Allowable Mcf purchases (must not exceed Mcf sales + .95)</u>	Mcf	
= Total Expected Gas Cost (to Schedule IA.)	\$	

*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.

**Supplier's tariff sheets or notices are attached.

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended _____ (reporting period)

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	
+ Interest	\$	
= Refund Adjustment including interest	\$	
+ Sales for 12 months ended _____	Mcf	
= Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	

SCHEDULE IV
ACTUAL ADJUSTMENT

For the 3 month period ended _____ (reporting period)

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u> <u>()</u>	<u>Month 2</u> <u>()</u>	<u>Month 3</u> <u>()</u>
Total Supply Volumes Purchased	Mcf			
Total Cost of Volumes Purchased	\$			
+ Total Sales (may not be less than 95% of supply volumes)	Mcf			
= Unit Cost of Gas	\$/Mcf			
- EGC in effect for month	\$/Mcf			
= Difference [(Over-)/Under-Recovery]	\$/Mcf			
x Actual sales during month	Mcf			
= Monthly cost difference	\$			

	<u>Unit</u>	<u>Amount</u>
Total cost difference (Month 1 + Month 2 + Month 3)	\$	
+ Sales for 12 months ended _____	Mcf	
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf	

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2004-00041 DATED February 23, 2004.

PEOPLE'S GAS COST ADJUSTMENT CLAUSE

For Phelps

P.S.C. KY NO. 1

original SHEET NO. 15

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Peoples Gas
Name of Issuing Corporation

RULES AND REGULATIONS

PURCHASED GAS COST ADJUSTMENT CLAUSE

Determination of GCRR

The Company shall file a quarterly report with the Commission which shall contain an updated Gas Cost Recovery Rate (GCRR), as calculated in accordance with the provisions set forth in the Definitions Section hereinafter, and which shall be filed at least 30 days prior to the beginning of each calendar quarter. The GCRR shall become effective for billing for service rendered on or after the first day of each calendar quarter.

Billing

Gas Cost Recovery Rate to be applied to bills of customers shall equal the of the following components:

$$GCRR = EGCA + ACA + RA.$$

The GCRR will be added to or subtracted from the base rates prescribed by the Commission Order on the Company's latest general rate case and will be included in the tariff rates stated on each applicable rate sheet within this tariff.

Definitions

For purposes of this tariff:

- a. The "Gas Cost Recovery Rate" (GCRR) represents the adjustment calculated quarterly at a time 30 days prior to the beginning of the next calendar quarter and which is to be used for all gas sales during the next calendar quarter. It is the sum of the Expected Gas Cost Component plus the Actual Cost Adjustment plus the Supplier Refund Adjustment as defined and calculated as follows in (b) - (e) hereinafter; i.e., $GCRR = EGCA + ACA + RA$.
- b. The "Expected Gas Cost Component" (EGCA), on a dollar per Mcf basis, represents the ~~expected~~ expected cost of purchased gas for

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OF KENTUCKY
EFFECTIVE

AUG 01 2001

2 OF ISSUE August 19, 2001

DATE EFFECTIVE August 1, 2001

ISSUED BY Kel McKinnis
NAME OF OFFICER

Op. Mag.

PURSUANT TO 807 KAR 5.011,
SECTION 9(1)
BY Stephen O. Bell
SECRETARY OF THE COMMISSION

For Phelps

P.S.C. KY NO. 1

original SHEET NO. 16

Peoples Gas
Name of Issuing Corporation

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

PURCHASED GAS COST ADJUSTMENT CLAUSE (continued)

the next calendar quarter based on 12 months of actual usage. The average expected cost is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes for the most recently available 12-month period, divided by the corresponding sales volume. In the event that line loss exceeds 5 percent, purchased volumes for the 12-month period shall be calculated as: sales volumes ÷ .95. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustment of this type shall be described in the quarterly Gas Cost Recovery Rate application.

- a. The "Actual Cost Adjustment" (ACA) on a dollar-per-Mcf basis compensates for differences between previous quarters' expected gas cost and the actual cost of gas. The ACA shall equal the sum of the ACA for the reporting period and for the 3 preceding calendar quarters. This may also be used to compensate for any over- or under-recoveries remaining from previous actual or refund adjustments after a 12-month period.
- d. The "Supplier Refund Adjustment" (RA) on a dollar-per-Mcf basis reflects the refunds received from suppliers during the reporting period, plus interest at a rate equal to one-half of one percent below the average 90-day Commercial Paper Rate for the 12-month period. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.
- e. "Calendar Quarter(s)" means each of the four 3-month periods of (1) May, June and July; (2) August, September and October; (3) November, December and January; (4) February, March and April. EFFECTIVE

DATE OF ISSUE August 19, 2001

DATE EFFECTIVE August 1, 2001

ISSUED BY Pat McVerry
NAME OF OFFICER

Op. Mng.

AUG 01 2001
PURSUANT TO 807 KAR 5.011,
SECTION 9(1)
BY: Stephan D. Bell
SECRETARY OF THE COMMISSION

For Phelps

P.S.C. KY NO. 1

original SHEET NO. 14

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Peoples Gas

Name of Issuing Corporation

RULES AND REGULATIONS

PURCHASED GAS COST ADJUSTMENT CLAUSE
(Continued)

- f. "Reporting Period" means the 3-month accounting period that ended approximately 60 days prior to the filing date of the updated GCRR for the calendar quarters ended January 31, April 30, July 31 and October 31 of each year.
- g. "Next Calendar Quarter" means the calendar quarter beginning approximately 30 days from the required filing date of the updated GCRR.

Interim Gas Cost Adjustments

Should any significant change in supplier rate occur, the Company may apply to the Public Service Commission for an interim purchased gas cost adjustment in addition to the regular quarterly Purchased Gas Cost Adjustment Clause filings.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 01 2001

PURSUANT TO 807 KAR 5.011.
SECTION 9 (1)
BY: Stephan D. Bui
SECRETARY OF THE COMMISSION

DATE OF ISSUE August 19, 2001

DATE EFFECTIVE August 1, 2001

ISSUED BY

Paul McVerry
NAME OF OFFICER

TITLE

Operations Mng